

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2014

Docket No. ACR2014

**UNITED STATES POSTAL SERVICE REPLY COMMENTS REGARDING  
FY 2014 PERFORMANCE REPORT AND FY 2015 PERFORMANCE PLAN**  
(March 4, 2015)

In Order No. 2342, the Postal Regulatory Commission (“Commission”) established a separate comment period regarding the United States Postal Service’s Fiscal Year (“FY”) 2014 Performance Report and FY 2015 Performance Plan (“Performance Report and Performance Plan”).<sup>1</sup> On February 25, 2015, the Public Representative filed comments (“PR Comments”).<sup>2</sup> The Postal Service hereby submits its reply comments.

As an initial matter, it is important to define the scope of the Annual Compliance Report (ACR) proceeding under the Postal Accountability and Enhancement Act (PAEA). Section 3653 of title 39 identifies four responsibilities of the Commission in this docket, and only two of these responsibilities involve compliance determinations. The comment period addressed by these reply comments concerns the two responsibilities that do not involve compliance determinations, which direct the Commission to review whether the Postal Service has met its performance goals established under sections 2803 and 2804, and authorize the Commission to provide recommendations to the

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<sup>1</sup> PRC Order No. 2342, Notice Regarding the Postal Service’s FY 2014 Performance Report and FY 2015 Performance Plan, Docket No. ACR2014 (Feb. 3, 2015).

<sup>2</sup> Public Representative Initial Comments on the FY 2014 Performance Report and FY 2015 Performance Plan, Docket No. ACR2014 (“PR Comments”).

Postal Service related to the protection or promotion of the public policy objectives of title 39.<sup>3</sup> A separate set of comments and reply comments<sup>4</sup> addressed the two responsibilities concerning compliance determinations, which are outside the scope of this comment period and involve the Commission's determination of (1) whether any rates or fees in effect during the preceding year were not in compliance with chapter 36 and its accompanying regulations; and (2) whether any service standards in effect during the preceding year were not achieved.<sup>5</sup>

The authority provided by section 3653(d) is limited to an evaluation of whether the Postal Service has achieved the goals established under sections 2803 and 2804. Section 3653(d) also provides that the Commission may provide recommendations related to the protection or promotion of public policy objectives set out in title 39. Section 3653(d) does not authorize the Commission to evaluate whether the Performance Report and Performance Plan comply with sections 2803 and 2804, or to direct the Postal Service to make specific changes. Accordingly, the Public Representative's conclusions regarding compliance with sections 2803 and 2804 reach beyond the scope of the Commission's authority in this docket.

The Public Representative asserts that the Postal Service failed to fulfill its obligations under 39 U.S.C. § 2803(a) because the Performance Report and Performance Plan does not include each program activity set forth in the budget.<sup>6</sup> As explained in previous years, the corporate goals provided in the Performance Report

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<sup>3</sup> 39 U.S.C. § 3653(d).

<sup>4</sup> Thirty-one separate comments addressing the Commission's compliance responsibilities were filed in Docket No. ACR2014 between January 16, 2015 and February 18, 2015.

<sup>5</sup> 39 U.S.C. § 3653(b).

<sup>6</sup> PR Comments at 14.

and Performance Plan address the Postal Service's program activities and provide the required metrics.<sup>7</sup> The inclusion of each program activity would not offer additional value to the Commission because the corporate goals provide the large-scale overview that is relevant to the Commission's compliance responsibilities in this docket.

In addition to addressing the Performance Report and Performance Plan, the PR Comments include observations regarding the Comprehensive Statement on Postal Operations ("Comprehensive Statement").<sup>8</sup> However, the Comprehensive Statement is not subject to the same statutory requirements as the Performance Report and Performance Plan. As the Postal Service explained in the FY 2012 ACR Docket, in addition to providing the information required by 39 U.S.C. §§ 2803 and 2804, namely the Performance Report and Performance Plan, the Comprehensive Statement is also intended to "provide stakeholders with information on how Postal initiatives and programs are setting the stage for future improvements."<sup>9</sup> The Postal Service has designed the Comprehensive Statement to satisfy the relevant statutory requirements, as well as to assist a broader stakeholder audience in evaluating the performance of the Postal Service.<sup>10</sup>

The Public Representative's concerns regarding the Comprehensive Statement are focused on the level of detail provided in connection with the strategic initiatives.<sup>11</sup> Similar to last year, the Public Representative appears to be imposing the requirements

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<sup>7</sup> Reply Comments of the United States Postal Service on FY 2013 Performance Report and FY 2014 Performance Plan, Docket No. ACR2013 (March 20, 2014) ("USPS Reply Comments") at 4.

<sup>8</sup> PR Comments at 15-17.

<sup>9</sup> USPS-FY12-17 at 27.

<sup>10</sup> *Id.*

<sup>11</sup> PR Comments at 15-17.

of 39 U.S.C. §§ 2803 and 2804 on the portions of the Comprehensive Statement that address the strategic initiatives. As the Postal Service explained previously in response to the Public Representative's comments in Docket No. ACR2013, while the strategic initiatives are designed to assist the Postal Service in achieving its corporate goals, they are provided as part of a broader strategic plan to achieve these goals, rather than as part of the Performance Report and Performance Plan.<sup>12</sup> More specifically, strategic initiatives are temporary projects through which the Postal Service seeks to achieve the corporate goals, which are tracked indicators of the Postal Service's overall performance. Because they function more independently as projects rather than general performance indicators, strategic initiatives are presented and discussed in the Comprehensive Statement, and not in the portion of the Annual Report to Congress which contains the Performance Report and Performance Plan.

Finally, a number of the concerns raised by the Public Representative have been addressed by the Postal Service in its responses to Chairman's Information Requests. For example, the Public Representative asserts that "[t]here is a discrepancy of 491,169 delivery points between the FY 2014 actual number of delivery points reported in the recent Response to CHIR No. 5, and in the FY 2014 Comprehensive Statement on postal Operations."<sup>13</sup> But in its response to Question 9 of Chairman's Information Request No. 7, the Postal Service explained that the variance in the number of delivery points arises because the delivery point data presented in the Comprehensive

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<sup>12</sup> USPS Reply Comments at 4-5.

<sup>13</sup> PR Comments at 13.

Statement is limited to active delivery points, and excludes Post Office Box delivery routes.<sup>14</sup>

In addition, the Public Representative contends that “it is unclear how the FY 2015 Customer Insights target of 82.5 percent was calculated.”<sup>15</sup> Though it did not provide a detailed explanation of the methodology used to calculate the FY 2015 Customer Insights target, in its responses to Questions 2(f) and 7 of Chairman’s Information Request No. 5, the Postal Service referred to revised targets and the methodology used to calculate the FY 2015 Customer Insights target. To provide further clarification, it is likely that the inconsistency described by the Public Representative arises from the modification of the National Performance Assessment target from 82.5 to 86.7, which occurred after publication of the Performance Report and Performance Plan.

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<sup>14</sup> Response of the United States Postal Service to Question 9 of Chairman’s Information Request No. 7, Docket No. ACR2014 (February 23, 2015).

<sup>15</sup> PR Comments at 9.

In conclusion, the Postal Service requests that the Commission limit its consideration of the Public Representative's comments to the issues that fall within the scope of this docket as defined by section 3653, and find that the Performance Report and Performance Plan is satisfactory.

Respectfully submitted,

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